

Consolidated Financial Statements of

**KIRKLAND AND DISTRICT HOSPITAL**

And Independent Auditors' Report thereon

For the six month period ended September 30, 2020



KPMG LLP  
Claridge Executive Centre  
144 Pine Street  
Sudbury ON P3C 1X3  
Canada  
Tel 705-675-8500  
Fax 705-675-7586

## INDEPENDENT AUDITORS' REPORT

To the Directors of Kirkland and District Hospital

### ***Opinion***

We have audited the consolidated financial statements of Kirkland and District Hospital (the Hospital), which comprise:

- the consolidated statement of financial position as at September 30, 2020
- the consolidated statement of operations for the six month period then ended
- the consolidated statement of changes in net assets for the six month period then ended
- the consolidated statement of cash flows for the six month period then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at September 30, 2020, and its consolidated results of operations and its consolidated cash flows for the six month period then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Hospital's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 22, 2021

# KIRKLAND AND DISTRICT HOSPITAL


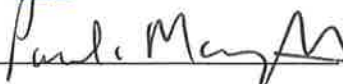
## Consolidated Statement of Operations

Six month period ended September 30, 2020, with comparative information for the year ended March 31, 2020

	September 30, 2020	March 31, 2020
Revenue:		
North East Local Health Integration Network and Ministry of Health	\$ 11,191,103	\$ 22,598,341
Patient services	422,836	911,199
Preferred accommodations	134,314	174,962
Other	1,310,918	3,030,518
Amortization - deferred capital contributions for equipment	275,112	252,420
	<u>13,334,283</u>	<u>26,967,440</u>
Expenses:		
Salaries and wages	7,081,319	13,644,274
Employee benefits	2,490,771	3,980,731
Medical staff remuneration	889,466	1,791,823
Drugs	433,437	932,563
Medical and surgical	218,184	463,890
Supplies and other	2,448,578	4,983,886
Amortization - equipment	557,014	716,006
	<u>14,118,769</u>	<u>26,513,173</u>
Deficiency of revenue over expenses before the undernoted	(784,486)	454,267
Ministry of Health pandemic funding (note 16)	1,007,032	-
Excess of revenue over expenses from Hospital Operations	222,546	454,267
Amortization - deferred capital contributions for buildings, land improvements and building service equipment	259,372	493,343
Amortization - building, land improvements and building service equipment	(417,309)	(819,455)
Excess of revenue over expenses before undernoted items	64,609	128,155
Specifically funded programs:		
Revenue	49,381	119,462
Expenses	(49,381)	(119,462)
Excess of revenue over expenses - specifically funded programs	-	-
Excess of revenue over expenses	<u>\$ 64,609</u>	<u>\$ 128,155</u>

See accompanying notes to consolidated financial statements

On behalf of the Board:

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

# KIRKLAND AND DISTRICT HOSPITAL

## Consolidated Statement of Financial Position

September 31, 2020, with comparative information for March 31, 2020

	September 30, 2020	March 31, 2020
<b>Assets</b>		
Current assets:		
Cash	\$ -	\$ 316,342
Cash - restricted (note 10)	1,457,630	865,632
Accounts receivable (note 2)	1,865,622	1,116,063
Inventories	679,755	597,775
Prepayments	277,520	239,214
	<u>4,280,527</u>	<u>3,135,026</u>
Long-term receivables	402,000	402,000
Capital assets (note 3)	13,941,723	14,411,902
	<u>\$ 18,624,250</u>	<u>\$ 17,948,928</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Bank overdraft	\$ 809,620	\$ -
Accounts payable and accrued liabilities (note 5)	4,052,855	4,488,801
Current portion of long-term debt (note 6)	201,278	406,211
	<u>5,063,753</u>	<u>4,895,012</u>
Long-term debt (note 6)	1,987,505	1,383,324
Employee post-retirement benefits (note 7)	2,644,065	2,638,747
Deferred capital contributions (note 8)	7,612,659	7,780,186
	<u>17,307,982</u>	<u>16,697,269</u>
Net assets	1,316,268	1,251,659
Commitments (note 13)		
Contingencies (note 14)		
Subsequent event (note 17)		
	<u>\$ 18,624,250</u>	<u>\$ 17,948,928</u>

See accompanying notes to consolidated financial statements

# KIRKLAND AND DISTRICT HOSPITAL

## Consolidated Statement of Changes in Net Assets

Six month period ended September 30, 2020, with comparative information for the year ended March 31, 2020

	September 30, 2020	March 31, 2020
Net assets, beginning of period	\$ 1,251,659	\$ 1,123,504
Excess of revenue over expenses	64,609	128,155
<b>Net assets, end of period</b>	<b>\$ 1,316,268</b>	<b>\$ 1,251,659</b>

See accompanying notes to consolidated financial statements

# KIRKLAND AND DISTRICT HOSPITAL

## Consolidated Statement of Cash Flows

Six month period ended September 30, 2020, with comparative information for the year ended March 31, 2020

	September 30, 2020	March 31, 2020
<b>Cash flows from operating activities:</b>		
Excess of revenue over expenses	\$ 64,609	\$ 128,155
Adjustments for:		
Amortization of capital assets	974,323	1,535,461
Amortization of deferred capital contributions	(534,484)	(745,763)
Loss on sale of capital assets	-	7,547
Increase in employee post-retirement benefits	5,318	4,886
	<u>509,766</u>	<u>930,286</u>
Change in non-cash working capital (note 9)	(1,305,791)	1,044,880
	(796,025)	1,975,166
<b>Cash flows from capital activities:</b>		
Purchase of capital assets	(504,144)	(3,937,455)
Increase in deferred capital contributions	366,957	1,547,532
	<u>(137,187)</u>	<u>(2,389,923)</u>
<b>Cash flows from financing activities:</b>		
Proceeds of long-term debt	600,000	1,464,116
Repayment of long-term debt	(200,752)	(402,359)
	<u>399,248</u>	<u>1,061,757</u>
<b>Cash flows from investing activities:</b>		
Increase in long-term receivables	-	(32,000)
<b>Net increase (decrease) in cash</b>	<b>(533,964)</b>	<b>615,000</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,181,974</b>	<b>566,974</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 648,010</b>	<b>\$ 1,181,974</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash	\$ -	\$ 316,342
Bank overdraft	(809,620)	-
Restricted cash	1,457,630	865,632
	<u>\$ 648,010</u>	<u>\$ 1,181,974</u>

See accompanying notes to consolidated financial statements



# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements

Period ended September 30, 2020

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The Kirkland and District Hospital (the "Hospital") was incorporated under the laws of Ontario. The Hospital is principally involved in providing health care services to Kirkland Lake and the surrounding area. The Hospital is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

On October 1, 2020, the Hospital amalgamated with Englehart and District Hospital Inc. to form Blanche River Health. These financial statements present the results of the Hospital's operations to the date of amalgamation and its financial position at the amalgamation date.

## 1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

### (a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health (the "Ministry") and the North East Local Health Integration Network ("NELHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

### (b) Inventories:

Inventories are stated at the lower of average cost and net realizable value.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

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## 1. Significant accounting policies (continued):

### (c) Capital assets:

Capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis over their estimated useful lives at the following range of annual rates:

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Land improvements	5.0%
Buildings	2.5% - 20.0%
Furniture and equipment	7.0% - 33.0%
Service equipment	4.0% - 20.0%

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In the year of acquisition, amortization is pro-rated based on the date of service.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated statement of financial position.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

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## 1. Significant accounting policies (continued):

### (d) Related entities:

The notes to consolidated financial statements include information of the following entity (note 12):

Kirkland and District Hospital Foundation ("KDH Foundation")

### (e) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 7 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

### (f) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

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## 1. Significant accounting policies (continued):

### (g) Funding adjustments:

The Hospital receives grants from the NELHIN and Ministry for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the Ministry or NELHIN may be entitled to seek recoveries. Should any amounts become recoverable, the recoveries would be charged to operations in the period in which the recovery is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon when additional funding is received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

### (h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market value, contributed services are not recognized in the consolidated financial statements.

### (i) Investment in Joint Venture:

The Hospital accounts for its interest in a joint venture using the proportionate consolidation method. These consolidated financial statements include the Hospital's proportionate share of any assets, liabilities, revenues and expenses of the joint venture.

### (j) Financial instruments:

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the consolidated statement of operations.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

## 2. Accounts receivable:

	September 30, 2020	March 31, 2020
Patients and clients	\$ 335,510	\$ 306,248
Ministry of Health	942,076	–
Other	690,211	914,465
Allowance for doubtful accounts	(102,175)	(104,650)
	<u>\$ 1,865,622</u>	<u>\$ 1,116,063</u>

## 3. Capital assets:

September 30, 2020	Cost	Accumulated Amortization	Net book Value
Land	\$ 46,876	\$ –	\$ 46,876
Land improvements	690,148	545,962	144,186
Buildings and service equipment	22,857,322	14,119,829	8,737,493
Furniture and equipment	16,720,550	11,707,382	5,013,168
	<u>\$ 40,314,896</u>	<u>\$ 26,373,173</u>	<u>\$ 13,941,723</u>

March 31, 2020	Cost	Accumulated Amortization	Net book Value
Land	\$ 46,876	\$ –	\$ 46,876
Land improvements	663,815	532,431	131,384
Buildings and service equipment	22,351,892	13,716,317	8,635,575
Furniture and equipment	16,758,569	11,160,502	5,598,067
	<u>\$ 39,821,152</u>	<u>\$ 25,409,250</u>	<u>\$ 14,411,902</u>

## 4. Bank indebtedness:

The Hospital has arranged for a revolving demand loan of \$1,500,000 to be used for general operating purposes. The credit facility bears interest at the bank's prime rate less 0.85%. No amount was drawn on this facility at period-end (March 31, 2020 - \$Nil).

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

## 5. Accounts payable and accrued liabilities:

	September 30, 2020	March 31, 2020
Accounts payable and accrued liabilities:		
- NELHIN, Ministry of Health	\$ 124,719	\$ 98,480
- Other	1,175,830	2,199,446
Payroll accruals:		
- Salaries and wages	1,741,027	1,233,391
- Vacation pay and other entitlements	904,999	842,847
Deferred revenue	106,280	114,637
	<b>\$ 4,052,855</b>	<b>\$ 4,488,801</b>

## 6. Long-term debt:

	September 30, 2020	March 31, 2020
Long-term obligation, unsecured, payable in monthly instalments of \$1,743, bearing interest at 1.79%, final instalment due August 2021	\$ 19,005	\$ 29,240
Long-term obligation, unsecured, payable in monthly instalments of \$2,888, bearing interest at 2.55%, final instalment due October 2022	70,259	86,560
Long-term obligation, secured, payable in monthly instalments of \$3,132, bearing interest at 3.50%, final instalment due August 2024	119,519	133,735
Long-term obligation, unsecured, payable in quarterly instalments of \$80,000 without interest, final instalment due December 2027	1,980,000	1,540,000
	<b>2,188,783</b>	<b>1,789,535</b>
Current portion of long-term debt	(201,278)	(406,211)
	<b>\$ 1,987,505</b>	<b>\$ 1,383,324</b>

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

## 6. Long-term debt (continued):

Scheduled principal repayments are as follows:

2021	\$	201,278
2022		391,963
2023		370,732
2024		351,759
2025 and thereafter		873,051
	\$	2,188,783

## 7. Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at March 31, 2018. The next full valuation of the plan will be as of March 31, 2021.

The accrued benefit obligation is recorded in the consolidated financial statements as follows:

	September 30, 2020	March 31, 2020
Balance, beginning of period	\$ 2,638,747	\$ 2,633,861
Add: Benefit costs	80,051	150,242
	2,718,798	2,784,103
Less: Benefit contributions	(74,733)	(145,356)
Balance, end of period	\$ 2,644,065	\$ 2,638,747

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligations are as follows:

	September 30, 2020	March 31, 2020
Discount rate	3.29%	3.29%
Dental cost trend rates	4.00%	4.00%
Extended health care trend rates	6.5%, decreasing annually by 0.5% thereafter to 5%	

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

## 8. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balance of donations and grants received for the purchase of capital assets. Details of the continuity of these funds are as follows:

	September 30, 2020	March 31, 2020
Balance, beginning of period	\$ 7,780,186	\$ 6,978,417
Additional contributions received	366,957	1,547,532
Less amounts amortized to revenue	(534,484)	(745,763)
Balance, end of period	\$ 7,612,659	\$ 7,780,186

The deferred contributions related to capital assets consist of the following:

	September 30, 2020	March 31, 2020
Unamortized	\$ 7,568,169	\$ 7,735,696
Unspent	44,490	44,490
	\$ 7,612,659	\$ 7,780,186

## 9. Change in non-cash working capital:

	September 30, 2020	March 31, 2020
Accounts receivable	\$ (749,559)	\$ 466,358
Inventories	(81,980)	(117,795)
Prepaid expenses	(38,306)	(32,216)
Accounts payable and accrued liabilities	(435,946)	728,533
	\$ (1,305,791)	\$ 1,044,880

## 10. Restricted cash:

Restricted cash consists of proceeds from fundraising initiatives in which the funds have been set aside for specific purposes.



# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

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## 11. Pension plan:

Substantially all of the employees of the Hospital are members of the Health Care of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit plan. Contributions made to the plan during the period by the Hospital on behalf of its employees amounted to \$542,629 (March 31, 2020 - \$1,099,115) and are included in employee benefits in the statement of operations.

## 12. Related entity:

The Hospital has an economic interest in the KDH Foundation. The KDH Foundation was created for the purposes of promoting and participating in fundraising programs in order to raise money for capital projects, training and medical research. During the period, the Hospital received donations amounting to \$Nil (March 31, 2020 - \$715,547).

## 13. Commitments:

Kirkland District Family Health Team:

The Hospital has agreed to fund one-half of the annual operating deficit of the Kirkland District Family Health Team ("KDFHT"). During the current period, the Hospital was not required to contribute towards the operations of the KDFHT (March 31, 2020 - \$Nil).

## 14. Contingencies:

### (a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

### (b) Employment matters:

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

### (c) Insurance:

A group of healthcare institutions, including the Hospital, are members of the Health Care Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at September 30, 2020, no assessments have been received.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

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## 15. Financial risks and concentration of credit risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at September 30, 2020, is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at September 30, 2020, is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from March 31, 2020.

### (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from March 31, 2020.

# KIRKLAND AND DISTRICT HOSPITAL

Notes to Consolidated Financial Statements (continued)

Period ended September 30, 2020

## 16. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Details of the MOH funding for COVID-19 recognized as revenue in the current period are summarized below:

Reimbursement of incremental pandemic costs	\$ 575,100
Pandemic pay	450,000
	<u>1,025,100</u>
Provision for Ministry recoveries	(18,068)
Total Ministry of Health pandemic funding	<u>\$ 1,007,032</u>

## 17. Subsequent events:

### (a) Amalgamation

On October 1, 2020, the Hospital amalgamated with Englehart and District Hospital Inc. to form Blanche River Health ("BRH"). Upon amalgamation, all of the assets, liabilities, employees and programs of the Hospital were transferred to BRH.

### (b) Ministry of Health pandemic funding programs

Subsequent to the period end, the Ministry announced certain funding programs to assist hospitals with operating pressures from COVID-19, including compensation for losses in non-Ministry revenues and the ability to redirect unused funding from specified programs towards incremental COVID-19 costs and other operating pressures. In addition, the Ministry also announced the provision of funding to assist hospitals with working capital deficits.

As these programs were not announced prior to the period end, are determined based on a full year of operations and are subject to audit and adjustment by the Ministry in subsequent periods, revenues from these additional programs have not been recorded in the Hospital's financial statements but rather are included in the financial statements of BRH for the period ended March 31, 2021.